

Message Text

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UNCLAS NEW DELHI 5105

DEPT PLEASE PASS TO USGS AND USBURMINES

E.O. 11652: N/A
TAGS: BTIO, EMIN, EQUIP, EINV, IN
SUBJECT: MAJOR PROJECTS: KODACHADRI IRON ORE DEPOSIT

REF: NEW DELHI 13636 DATED 9/27/77

1. FOLLOWING UP COMMERCIAL COUNSELOR'S REPORT ON PROSPECTS FOR U.S.
FIRMS TO DEVELOP THE KODACHADRI IRON ORE DEPOSIT IN NORTHERN KARNATAKA

(REFTEL), RESOURCES ATTACHE VISITED KODACHADRI IN FEBRUARY AND MORE
RECENTLY CALLED ON STEEL MINISTRY OFFICIAL FOR GOI REACTION TO ITS DE-

VELOPMENT BY PUBLIC SECTOR MYSORE MINERALS LIMITED (MML) IN COLLABORA-

WITH FOREIGN FIRMS. OFFICIAL SAW NO PROBLEM AS LONG AS DEVELOPMENT
FOLLOWED GUIDELINES ACCEPTABLE TO GOI.

2. GOI OFFICIAL CONSIDERED KODACHADRI DEPOSIT AN EXCELLENT SOURCE OF
BOTH

SINTER AND PELLET FINES WITH DEFINITE ECONOMIC ADVANTAGE
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IN TERMS OF SAVINGS IN GRINDING COSTS. FOR PROJECT
TO BE ECONOMICALLY VIABLE, HOWEVER, MINIMUM OF 15 MILLION MT
OF ORE YIELDING 6 TO 7 MILLION MT OF SINTER AND PELLET FINES
CONTAINING 64-66 PERCENT IRON WOULD BE REQUIRED ANNUALLY.
PROJECT COSTS WERE ESTIMATED AT DOLS 700-800 MILLION WITH ROUGHLY
HALF ALLOCATED FOR EQUIPMENT IMPORT. THE BALANCE WOULD BE
RUPEE COSTS WHICH STEEL MINISTER OFFICIAL FELT COULD BE RAISED IF

LONG TERM EXPORT COMMITMENT COULD BE ARRANGED. GOI OFFICIAL ENVISAGED FORMATION OF TWO COMPANIES TO OPERATE PROJECT. ONE WOULD BE 100 PERCENT INDIAN COMPANY TO HOLD MINING LEASE AND OPERATE MINE, AND THE OTHER WITH 40 PERCENT FOREIGN EQUITY TO PURCHASE, PROCESS AND EXPORT IRON ORE CONCENTRATE. THE TWO COMPANIES WOULD BE LINKED BY LONG-TERM CONTRACT. THE PROSPECTS FOR FOREIGN FIRM HOLDING EQUITY IN BOTH COMPANIES WAS ALSO NOT RULED OUT.

3. ALTHOUGH SOMEWHAT PARTIAL TO KAISER FOLLOWING THEIR 1971 STUDY OF THIS DEPOSIT MML WILLING TO CONSIDER ANY INTERNATIONAL FIRM POSSESSING TECHNICAL CAPABILITY TO DEVELOP PROJECT AND TO ARRANGE FINANCING IN RETURN FOR IRON ORE.

4. ACCORDING TO GEOLOGICAL SURVEY OF INDIA 1976 REPORT, WHICH UPDATES KAISER STUDY, PROVED IRON ORE RESERVES AT KODACHADRI ARE ESTIMATED AT 430.36 MILLION MT OF BANDED MAGNETITE-EQUARTZITE AVERAGING 29-30 PERCENT IRON. THE ORE BODY IS CAPPED BY ANOTHER 4 TO 5 MILLION MT OF HEMATITE RANGING FROM 58 62 PERCENT IRON AND NEGLIGIBLE OVERBURDEN. IN ADDITION, INFERRED RESERVES ARE IN THE NEIGHBORHOOD OF 568 MILLION MT. ALSO NEARBY IS THE KODEBARE DEPOSIT WITH PROVED RESOURCES OF 25 MILLION MT. TOTAL AREA OF MINERALIZATION COVERS ABOUT EIGHT SQUARE MILES.

5. U.S. FIRMS INTERESTED IN ABOVE PROJECT, SHOULD CONTACT DR. T. THIMIAH, CHAIRMAN, MYSORE MINERALS LIMITED, BANGALORE, UNCLASSIFIED

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KARNATAKA.
GOHEEN

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Message Attributes

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